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ABSTRACT

This document, one in a series of consumer education materials prepared for 4-H Club members and secondary students, focuses on credit and money management. Because credit has both positive and negative aspects, teenagers must be informed how to use credit wisely and how to avoid getting into financial difficulty. Specific objectives are for students to realize that credit costs money, acquire an understanding of the cost terminology necessary to shop for credit, and recognize the advantages as well as the disadvantages of using credit. The document is divided into two sections. The first part is the teacher's guide which contains statement of purpose, objectives, ideas, suggested resources, learning activites, and evaluation. The second section is the student material which presents background reading and learning activities. (Author/JR)

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UNDERSTANDING CREDIT

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TEACHING GUIDE

UNDERSTANDING CREDIT

SPECIAL INTEREST TEACHING GUIDE

LEARNING ABOUT CREDIT 4-H PROJECT

STATEMENT OF PURPOSE

When a young person becomes 18 years old, he or she assumes the rights and responsibilities of an adult. Among such rights is the right to use credit without parental signature. Unless one understands how to manage credit, this financial tool can have negative economic effects. Teen-agers must be informed how to use credit and how to avoid getting into financial difficulty.

* * * * *

OBJECTIVES OF UNDERSTANDING CREDIT

For youth to realize that credit always costs money.

To help the youth acquire an understanding of the cost terminology necessary to shop for credit.

To help the youth recognize the advantages as well as the disadvantages of using credit.

* * * * *

IDEAS TO TEACH IN UNDERSTANDING CREDIT

Credit is one of the most powerful financial tools available.

The amount of your income, which will be available for buying goods in the future, is reduced by the amount of credit you use in the present.

Credit costs you money.

You should always shop and compare the price tags on credit.

Credit has two price tags -- finance charge and annual percentage rate.

There are advantages as well as disadvantages to using credit.

* * * * *

SUGGESTED RESOURCES

People

Lawyer. A lawyer would be an excellent resource person to explain the rights and responsibilities the teens will have related to credit when they become 18 years old. The importance of these rights and responsibilities should not be overlooked. A credit rating, whether it be good or bad, will follow a person throughout life.

Literature

UNDERSTANDING CREDIT
4-H SI 37.1 M -- Member Piece

Visual Aids

The visual aid suggested is available from the Florida Cooperative Extension Service. Request from your County 4-H Coordinator at least 3 weeks in advance.

PRICE TAGS ON CREDIT
Colored slides or 81/2" x 11" paper line drawings; 3-5 minutes. Explains the two price tags on credit--the finance charge and the annual percentage rate. Basic to the study of credit.

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SUGGESTED DISCUSSION OUTLINE

It's advisable for the special interest 4-H members to have read the information in the member piece of UNDERSTANDING CREDIT (4-H SI 37.1 M) before the discussion.

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1. Ask the youth what credit means to them. Discuss what they think credit is.

2. Discuss how credit borrows from your future income.

3. Discuss why you will be able to buy fewer goods in the long run when you use credit.

4. Why do some people refer to using credit as "renting money"?

5. Show the visuals titled THE PRICE TAGS ON CREDIT.

6. Discuss the two credit price tags--
-- finance charge - tells you how much money you are paying for credit.
-- annual percentage rate - tells you the true annual rate of interest for credit.

7. Why is it a good idea to always shop and compare credit costs?

8. There are several good reasons for using credit. You will want to have the youth discuss what they consider to be advantages to using credit. Below is a partial list you may find useful as a filler in the discussion.
-- credit is convenient.
-- credit helps you establish a credit record, which is important in our credit oriented economy.
-- credit can help you meet financial emergencies.
-- credit may make it possible for you to take advantage of a financial opportunity, such as a sale, and thus save money.
-- credit may enable you to receive benefits long after payments are completed, such as using credit for a college education.
-- it's a means of forced "saving" for those who can't seem to save money in advance and buy with cash at a lower price.

9. There are also reasons for not using credit. Have the youth discuss what they consider to be disadvantages to using credit. A partial list is given below for your convenience.
-- buying on credit costs more than paying cash.
-- you may commit yourself to more payments than you can meet and still pay current living expenses.
-- credit may limit your opportunities to shop around for the best buy.
-- you may get into financial difficulties if you should lose your job, become ill, or have other unexpected conditions develop.
-- you may not have as much credit education as you need.

* * * * *

DID YOU KNOW THAT . . .

... all credit does not cost the same? The annual percentage rates vary from less than 10 percent to about 34 percent in Florida.

... there's little logic in spending hours looking for the best buy in a certain piece of merchandise if you sign the first credit contract offered to you? Credit should be shopped for just as carefully as any other purchase, if you are to get the best deal all around.

... you can often get a cash loan for a purchase at less cost than by financing the purchase with sales credit? This is why you need to investigate the different sources of credit.

... you need to keep your credit receipts and check your monthly statements carefully? Mistakes do occur, even with computers.

... you commit your future income when you buy on credit?

* * * * *

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Home Management and
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May, 1974

Prepared by: Mary N. Harrison
Consumer Education
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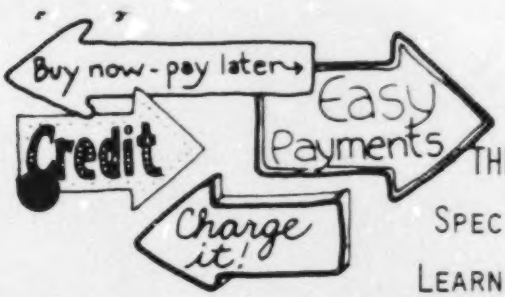

THE CREDIT GRANTING SYSTEM

SPECIAL INTEREST TEACHING GUIDE

LEARNING ABOUT CREDIT 4-H PROJECT

STATEMENT OF PURPOSE

For the most part the credit granting system operates behind the scenes. As a consequence most people don't realize how they affect whether or not credit is granted to them. It's very important for young people just beginning to use credit to understand the credit granting process and their place in the process.

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OBJECTIVE OF THE CREDIT GRANTING PROCESS

For the youth to become aware of how the credit granting system operates.

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IDEAS TO TEACH IN THE CREDIT GRANTING SYSTEM

The information given on a credit application is used as a guide by the creditor to learn about you and your use of credit.

A credit investigation is a study to find out what kind of credit customer you are.

A credit bureau is a clearinghouse for the exchange of information by merchants on people who use credit.

A credit record is a history of your use of credit.

A credit rating is the result of an evaluation of your qualifications to receive credit.

* * * * *

SUGGESTED RESOURCES

People

Credit Bureau Manager. The manager of a credit bureau would be excellent for explaining how credit records are kept, the importance of paying bills promptly and what to do if something unfavorable gets into your credit file. Such a person may want to explain that credit bureaus don't make credit ratings; rather, they merely serve as a clearinghouse for information for member organizations.

Places

Credit Bureau. If it would be possible, a field trip to a credit bureau would be an educational experience for the special interest 4-H members.

Literature

THE CREDIT GRANTING SYSTEM
4-H SI 37.2 M -- Member Piece

HOW DO YOU RATE CREDIT-WISE?
Florida Cooperative Extension Service. Request from your County 4-H Coordinator. (EHE 123) Free

Visual Aids

The visual aid suggested is available from the Florida Cooperative Extension Service. Request from your County Extension 4-H Coordinator at least 3 weeks in advance.

HOW DO YOU RATE CREDIT-WISE?
Colored slides or 8 1/2" x 11" paper line drawings; 5-8 minutes. This visual aid takes the viewers behind the scenes to see how the credit system works. The

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five parts of the credit granting system are explained along with hints on how to keep your credit record in good shape.

* * * * *

SUGGESTED DISCUSSION OUTLINE

It's advisable for the special interest 4-H members to have read the information in the member piece of THE CREDIT GRANTING SYSTEM (4-H SI 37.2 M) before the discussion.

1. Use the suggested visual aid HOW DO YOU RATE CREDIT WISE? as an introduction to this lesson.

2. Have several different credit applications to show the youth.

3. Discuss the types of information requested on the credit applications. Ask the youth to give reasons why they think some of the information is requested.

4. Find out if any of the youth have ever filled out a credit application.

5. Discuss the purpose of the credit application information.

6. Discuss the importance of a credit investigation from the creditor's standpoint.

7. Point out the two functions of a credit bureau--
-- to accumulate information about a person when he applies for credit and as he uses credit.
-- to verify the information a person gives the creditor on his credit application.

8. Many people have the misconception that credit bureaus give credit ratings. They don't. They merely act as a clearinghouse for the exchange of information by merchants on people who use credit.

9. Briefly mention the Fair Credit Reporting Act, since it deals with credit bureaus. You'll find additional information in 4-H SI 37.5 M, YOU AND THE FEDERAL CREDIT LAWS.
-- law is designed to protect you if you don't get credit because of something in your credit record at the credit bureau.
-- law gives you 60 days in which to go to the credit bureau to learn what information is in your credit record.
-- law allows you to have a statement of 100 words or less put in your credit record explaining your side of the story, if you so desire.

10. Discuss the contents of a credit record--
-- all the information you have given about yourself when applying for credit.
-- how often you use credit.
-- what you use credit for.
-- the speed with which you pay your bills.
-- information from courthouse files such as the filing for divorce, bankruptcy, and any judgments against you for not paying a debt.

11. Discuss the "file life" of certain information--
-- bankruptcy - 14 years.
-- judgments - 7 years.

12. Emphasize that as you use credit, you create a picture of yourself as a credit user. This picture, which you make for yourself, is all the creditor has to look at when he decides how to rate you credit wise.

13. Discuss the meaning of a credit rating.

14. Discuss the types of things that will help a person have a good credit rating as well as those things which will hurt a person's credit rating.

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* * * * *

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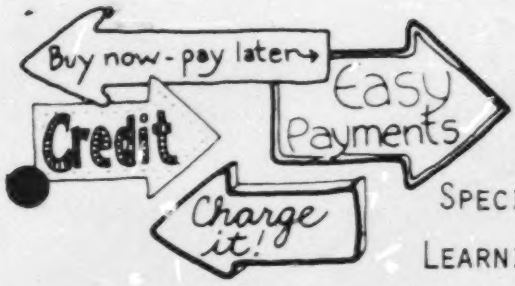

ESTABLISHING CREDIT

Special Interest Teaching Guide

Learning About Credit 4-H Project

STATEMENT OF PURPOSE

Knowing how to establish credit is important to young people. There are going to be times during their life when they're going to need to use credit. If they haven't established credit, they may not be able to get it when they need it most.

* * * * *

OBJECTIVES OF ESTABLISHING CREDIT

For the youth to realize that using credit is a privilege.

To help the youth know how to keep the privilege of using credit once they acquire it.

* * * * *

IDEAS TO TEACH IN ESTABLISHING CREDIT

To establish credit, creditors must feel they can trust you.

Establishing credit takes time and effort.

A steady job and income are important in establishing credit.

Payments should always be made on time.

Buying too much on credit at any one time will not look good on your credit record.

* * * * *

SUGGESTED RESOURCES

People

Bank Loan Officer. An officer from a bank's loan department would make an excellent resource person. Such a person could discuss how a young person can begin establishing credit, the importance of establishing credit, and how to keep their credit record in good shape.

Literature

ESTABLISHING CREDIT
4-H SI 37.3 M -- Member Piece

HOW DO YOU RATE CREDIT-WISE?
Florida Cooperative Extension Service.
Request from your County Extension 4-H Coordinator. (EHE 123) Free

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SUGGESTED DISCUSSION OUTLINE

It's advisable for the special interest 4-H members to have read the information in the member piece of ESTABLISHING CREDIT (4-H SI 37.3 M) before the discussion.

1. Discuss the meaning of the Latin verb credo from which the word credit is derived.

2. Discuss how credit buying is different from paying cash.

3. Why do creditors feel they must trust you in order to give you credit?

4. What are the 3 C's that creditors give consideration to in judging you as a credit risk?
   -- character - your willingness to pay your credit obligations.
   -- capacity - your ability to pay your obligations from your income.
   -- capital - owning property or things worth more than your debts.

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5. Discuss the other aspects of a person's life a creditor will look at.
-- employment
-- income
-- residence
-- financial structure
-- debt record
-- personal characteristics

6. Below are two case studies to read to the youth. Have the youth give reasons why they think Bob Anderson would be a good credit risk while Phil Brown would not be.

Credit Record of Bob Anderson

Bob Anderson is married, has two children, and owns his home. He has been employed by the same company for nine years. Recently he was promoted and now makes approximately $17,000. His sources of credit include two multi-purpose credit cards, credit from a local bank, charge accounts at four department stores, and credit cards from three gas companies. The largest amount he owed at one time was $1,000. Bob always pays his bills promptly. In addition to his savings and checking accounts, he has a life insurance policy and invests regularly in mutual funds and stocks.

Credit Record of Phil Brown

Phil Brown has been married twice. He has five children by his present wife and helps support the two children from his previous marriage. He always rents, but moves every year or two. He's lived in every part of Florida from the Panhandle to the Keys. Phil has changed jobs seven times in the last four years. He always works as a semi-skilled laborer. His average income is $7,000 a year. Ten years ago he ran up debts totaling $900 at four stores. His payments were overdue for several months. He repaid $100, but later went into bankruptcy. Since that time he had been paying his accounts on time, that is, until four months ago when he started falling behind in two of his six accounts. Phil has no savings account. He does have a checking account, but it usually has next to nothing in it.

7. You might like to make some observations about these two case studies.
-- Both Bob and Phil have been using credit for several years.
-- But they have used it very differently.
-- During that period of time, they have created a picture of themselves as credit users.
-- This picture, which they have made for themselves, is all the creditor has to look at when he decides how to rate them credit-wise.

8. Discuss the points in the section "Establishing Yourself Credit Wise". This section is designed to help young people know what is important in establishing credit and how they can begin to establish credit.

9. Why should payments always be made on time?

10. What should you do if a payment will be late?

11. Why should one be careful not to buy too much on credit?

12. Have the youth make up a list of questions they would ask to decide whether or not someone is a good credit risk.

* * * * *

DID YOU KNOW THAT. . .

. . . if you have a rather common name, it's most important that a creditor have your address and employment information. In this way he can check to see which John Smith you really are.

* * * * *

Prepared by: Charla Bartscht Durham
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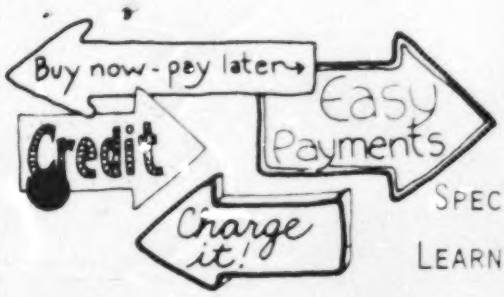

CREDIT CONTRACTS

SPECIAL INTEREST TEACHING GUIDE

LEARNING ABOUT CREDIT 4-H PROJECT

STATEMENT OF PURPOSE

Credit contracts are legal documents. They are binding upon both the buyer and the seller. Both have certain rights and responsibilities. However, the buyer has the greatest responsibility in being certain he or she reads and understands a credit contract before signing. Much of the terminology in credit contracts is confusing to the layman. Since young people will be able to enter into contractual agreements at the young age of 18, they need help in understanding the significance of signing a contract as well as how to read and understand contracts.

* * * * *

OBJECTIVES OF CREDIT CONTRACTS

For the youth to realize the significance of signing their name to a credit contract.

To help the youth become familiar with the terminology of credit contracts.

To help the youth recognize the importance of reading and understanding all the terms of a credit contract before signing.

* * * * *

IDEAS TO TEACH IN CREDIT CONTRACTS

A credit contract is a legal document which is binding upon both the buyer and the seller.

Credit contracts should be read and understood before signing.

Never sign a contract with blank spaces.

Know to whom you make all payments.

Unless verbal agreements with the salesman are written in the contract, they aren't binding on the seller.

Always get a copy of the contract to keep at the time you sign.

* * * * *

SUGGESTED RESOURCES

People

Lawyer or Bank Loan Officer. Either of these two types of resource people would make excellent speakers. They would be well versed in the terminology of credit contracts and could tell the teen-agers the specific points to look for as well as how to decipher the small print.

Materials

It would be good if you could have enough copies of at least one credit contract for each member of your class. You will also want to collect examples of more than one type of contract. If you wouldn't feel it an infringment upon your privacy, use some of the copies of credit contracts you've signed as teaching aids. You may want to mount the contracts on the bulletin board or scatter them throughout the room for the youth to be able to see and study.

* * * * *

SUGGESTED DISCUSSION OUTLINE

It's advisable for the special interest 4-H members to have read the information in the member piece of CREDIT CON-

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TRACTS (4-H SI 37.4 M) before the discussion.

This outline is merely a suggestion. You may want to change its emphasis depending on whether or not you choose to use a resource person.

1. Emphasize that a credit contract is a legal document. As such, the person who signs a contract is responsible to meet the terms of whatever he or she signs.

2. Discuss the purpose of a credit contract--
-- to give the terms of the sale when you buy something on credit.
-- to give the terms of the repayment of money when you borrow money.

3. Discuss the points that should be checked before signing a contract--
-- read and understand everything.
-- make sure all blank spaces are properly filled.
-- know to whom you make all payments.
-- understand the seller's commitments.
-- make sure all verbal agreements are written in the contract and initialed by the salesman.
-- get a copy of the contract at the time you sign.

4. Discuss the points a contract should state clearly--
-- exactly what you're buying
-- cash price
-- down payment
-- trade-in allowance
-- insurance costs, if any
-- any other costs
-- finance charge
-- annual percentage rate
-- total amount due
-- amount and number of payments
-- dates payments are due
-- what happens if you can't pay or if your payment is late
-- what happens if you want to pay ahead

5. Discuss the list of words that is given in 4-H SI 37.4 M.

6. Give each youth a credit contract. Read through the contract and explain its meaning.

7. Allow the youth an opportunity to read and study several different credit contracts.

* * * * *

GUIDES FOR THE USE OF CREDIT

Make the down payment as large as possible and the repayment period as short as possible.

Don't let installment contracts run so long that the psychological enjoyment of "having it now" wears off before the debt is paid. After all, there's nothing worse than lingering payments.

Use charge accounts and credit cards intelligently. Don't use them to spend next month's income. That's not their purpose.

Look for the best credit bargain when you do use credit.

Assume no more debt than you can reasonably expect to repay out of your current level of income.

When buying major items, arrange for terms that have you owing less than the resale value of the item you bought.

Pay the balance off as quickly as you can. You'll save money.

* * * * *

Prepared by Charla Bartscht Durham
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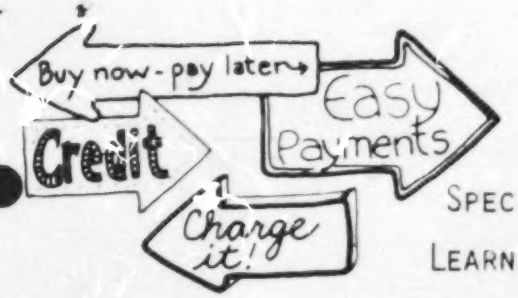

WHERE TO GET CREDIT

SPECIAL INTEREST TEACHING GUIDE

LEARNING ABOUT CREDIT 4-H PROJECT

STATEMENT OF PURPOSE

You can get credit from several different places. Each of the sources of credit have different characteristics that serve your different credit needs. The costs and requirements for credit differ at each of the sources. To be sure of getting the most for your money, you need to be aware of the different types and sources of credit and compare the costs and requirements.

* * * * *

OBJECTIVES OF WHERE TO GET CREDIT

To become aware of credit alternatives.

To recognize that needs for credit differ.

To become acquainted with the sources for all types of credit.

To understand the basic differences among the credit sources.

To know how to investigate and determine the best source of credit for each need.

* * * * *

IDEAS TO TEACH IN WHERE TO GET CREDIT

The sources for credit can be divided into three groups depending on the type of credit they provide.

The type and source of credit that's best for you depends on your credit needs.

The costs and requirements for credit differ at each of the sources.

* * * * *

SUGGESTED RESOURCES

People

There are several people who could supply additional information or participate in a discussion about where to get credit. They include a bank loan officer, the manager of a credit union, the manager of a small loan company, the manager of a retail establishment's credit department, as well as the person in charge of a bank credit card department.

Literature

WHERE TO GET CREDIT
4-H SI 37.5 M -- Member Piece

TYPES OF CREDIT and SOURCES OF CREDIT
Florida Cooperative Extension Service.
Request from your County Extension
4-H Coordinator. (EHE 115 & EHE 118)

Visual Aids

The visual aid suggested is available from the Florida Cooperative Extension Service. Request from your County Extension 4-H Coordinator at least 3 weeks in advance.

WHERE TO GET CREDIT
Color slides or 8 1/2" x 11" paper line drawings; 5-8 minutes. Explains the various types and sources of credit. Also explains how the different kinds of credit can serve your different credit needs.

* * * * *

SUGGESTED DISCUSSION OUTLINE

It's advisable for the special interest 4-H members to have read the information in the member piece of WHERE TO GET CREDIT before the discussion (4-H SI 37.5 M).

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More meaning would be added to the discussion if the 4-H members had worked on one or more of the activities suggested in 4-H SI 37.5 M.

1. Have a brainstorming session during which the youth think of as many different places to get credit as they can.

2. Have the youth classify the sources of credit into the three major groups: financial institutions, retail establishments, and credit granting corporations.

3. Discuss the types of credit you can get from each of these sources.
-- cash credit (money) from financial institutions.
-- sales credit (goods and services) from retail establishments.
-- multi-purpose credit from credit granting corporations.

4. A wide range of credit plans have been invented to meet your every credit need. Below are a few examples to help the youth understand how some credit plans are better suited for some needs than others. Discuss each.

-- What type of credit plan would be best for a person who doesn't like to carry a lot of cash when shopping, yet may not like extending credit payments over several months?
(30 day charge account)

-- What type of credit plan would you advise an individual to have who does a lot of traveling?
(One of the multi-purpose cards like the bank credit cards, travel and entertainment credit cards, or gas company credit cards.)

-- What type of credit would you use if you were buying a refrigerator or some other major appliance?
(An installment contract--it could be financed either through the dealer or a financial institution.)

5. Ask the group to think of other examples and situations.

6. Some people can get credit from any source while others find that credit is available from only one or two sources. It all depends on your credit needs, your credit record, and the special credit granting characteristics of the various sources. Below is a brief description of some of the sources and a general indication of how you qualify for credit from each. Discuss.

-- To borrow from a life insurance company, you must have a life insurance policy that has a cash or loan value.

-- To borrow from a credit union, you must be a member. You can be a member of one only if you work with an organization or belong to some other group that has established a credit union.

-- To borrow from a bank, you need to have a fairly good credit record.

-- Small loan companies lend to those who don't have the best credit record and sometimes can't get credit elsewhere. However, they do want some assurance they'll get their money back.

-- Most people can get credit from a retail establishment. But they too are interested in not losing their money. So this will affect whether or not they give you credit.

-- Banks screen their credit card applicants very carefully. But if you pay your bills promptly, you'll probably qualify for a bank credit card.

7. Credit costs money. However, not all credit costs the same. Discuss the range of the cost of credit from the various sources.

8. Discuss the activities the youth have done related to this lesson.

* * * * *

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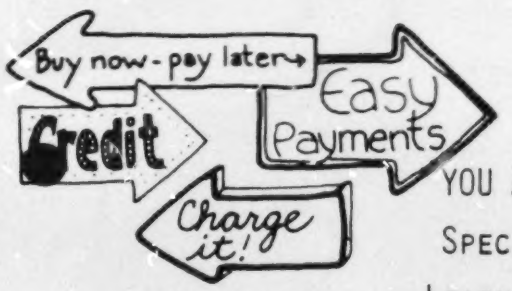

4-H SI 37 .6 L

YOU AND THE FEDERAL CREDIT LAWS

SPECIAL INTEREST TEACHING GUIDE

LEARNING ABOUT CREDIT 4-H PROJECT

STATEMENT OF PURPOSE

There are two federal laws that are important to the credit shopper. One is called the Consumer Credit Protection Act; the other is the Fair Credit Reporting Act. Unless one understands the purpose and intent of these laws, they are of no value. Teen-agers must be informed of the protections provided by these two federal credit laws if they are to benefit from this legislation.

* * * * *

OBJECTIVES OF YOU AND THE FEDERAL CREDIT LAWS

For youth to become aware of the federal laws related to credit.

To help the youth acquire an understanding of the purposes and protections of the federal credit laws.

* * * * *

IDEAS TO TEACH IN YOU AND THE FEDERAL CREDIT LAWS

There are two federal credit laws that offer protection to credit users.

Federal laws neither limit the amount you pay for credit nor control the conditions of credit.

The purpose of the Consumer Credit Protection Act is to make sure you get complete and accurate information.

The Consumer Credit Protection Act standardized two important terms--finance charge and annual percentage rate.

The purpose of the Fair Credit Reporting Act is to protect your credit rating.

* * * * *

SUGGESTED RESOURCES

People

Lawyer. A lawyer could discuss the protection and benefits federal credit laws provide the individual who uses credit. You would probably want the lawyer to discuss the state credit laws at this time also.

Literature

YOU AND THE FEDERAL CREDIT LAWS
4-H SI 37.6 M -- Member Piece

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SUGGESTED DISCUSSION OUTLINE

It's advisable for the special interest 4-H members to have read the information in the member piece of YOU AND THE FEDERAL CREDIT LAWS (4-H SI 37.6 M) before the discussion.

1. Discuss the names given the two federal credit laws and what these titles imply--
   -- Consumer Credit Protection Act (sometimes called Truth-in-Lending)
   -- Fair Credit Reporting Act

2. Point out that neither of these laws have been in effect for many years
   -- Consumer Credit Protection Act went into effect July 1, 1969.
   -- Fair Credit Reporting Act became effective April 24, 1971.

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3. You might like to impress upon the youth that much time is spent in debating and refining a proposal before it becomes a law. Below is a brief history of the Consumer Credit Protection Act:
-- 1960 - bill was first introduced as the Consumer Credit Labeling Bill.
-- May 29, 1968 - bill was signed into law as the Consumer Credit Protection Act.
-- July 1, 1969 - law went into effect.

4. There are three parts to the Consumer Credit Protection Act that the youth need to be familiar with. They cover the topics of:
-- disclosure
-- rescission
-- advertising

5. Discuss the three requirements of the disclosure part of the Consumer Credit Protection Act--
-- the creditor must disclose and itemize all the parts of the credit contract.
-- the creditor must give the total of the finance charges in dollars and cents.
-- the finance charge must be stated as an annual percentage rate.

6. Have some credit contracts for the youth to study so they can see the kind of information required on a credit contract by the law.

7. Discuss the purpose and importance of the three day rescission rule. Suggest the youth discuss this rule with their parents to see if they have ever been involved in a contract where this rule applied.

8. Discuss why the advertising part of the law is helpful to the consumer.

9. Have some newspaper credit ads for the youth to study to see if they comply with the requirements of the Consumer Credit Protection Act.

10. Discuss the amendment to the Consumer Credit Protection Act and what this means in terms of protection to someone whose credit cards are lost or stolen. Find out if the youth know of anyone who has had their credit cards stolen or has lost them.

11. Discuss the basic purpose of the Fair Credit Reporting Act--
-- to protect consumers against the circulation of erroneous, incomplete or obsolete information on which an unsuspecting firm might rely to decide whether to do business with you or to offer you employment.

12. The Fair Credit Reporting Act gives the consumer certain rights. It gives you the right--
-- to know the nature and substance of all the information (except medical) in your file at the consumer reporting agency.
-- to know the sources of the information.
-- to know who has received a consumer report on you within the preceding six months (or within the preceding two years if the report was furnished for employment purposes).
-- to be told the name and address of the consumer reporting agency that furnished a report if you have been denied credit, insurance or employment because of information in a consumer report.
-- to request and receive all the information mentioned above from the consumer reporting agency free of charge. (Otherwise, although under the law you have the right to obtain the information under any circumstances, the consumer reporting agency may charge you a reasonable fee for this disclosure.)
-- to challenge the information in your file if it is incorrect or incomplete The reporting agency must then re-investigate the challenged information. If the information is found to be inaccurate or cannot be verified, it must be removed from your file.
-- to file a statement describing the dispute if a re-investigation does not settle the dispute.
-- to notify those named by you of deletions, inaccuracies or disputes free of charge.

* * * * *

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YOU AND THE STATE CREDIT LAWS

Special Interest Teaching Guide

Learning About Credit 4-H Project

STATEMENT OF PURPOSE

The state credit laws regulate the extension and use of credit. Florida's laws are designed to protect both the credit user and the creditor's investment. The main functions of the state laws are to set the ceilings on credit charges and to control conditions under which credit is extended. Unless one understands Florida's credit laws, they are of no value. Teen-agers must be informed of the protections provided by Florida's credit laws if they are to benefit from this legislation when they begin using credit.

* * * * * *

OBJECTIVES OF YOU AND THE STATE CREDIT LAWS

For youth to become aware of Florida's laws related to credit.

To help the youth acquire an understanding of the purpose and protections of Florida's credit laws.

* * * * * *

IDEAS TO TEACH IN YOU AND THE STATE CREDIT LAWS

Florida has several laws that offer protection to both creditors and credit users.

Florida's credit laws limit the amount you pay for credit and control the conditions of credit.

The purpose of the Florida Retail Installment Sales Act is to regulate revolving charge accounts and all installment credit except for motor vehicles.

The Florida Consumer Finance Act regulates credit extended by small loan companies.

The Motor Vehicle Sales Finance Act regulates credit used to buy motor vehicles.

* * * * * *

SUGGESTED RESOURCES

People

Lawyer. A lawyer would be an excellent resource person for explaining and perhaps clarifying Florida's state credit laws. If you choose to use a lawyer as a resource person, have him discuss the federal credit laws also.

Literature

YOU AND THE STATE CREDIT LAWS
4-H SI 37.7M -- Member Piece

CONSUMER CREDIT AND THE LAW
Florida Cooperative Extension Service. Request from your County Extension 4-H Coordinator. (EHE 142) Free

* * * * * *

SUGGESTED DISCUSSION OUTLINE

It's advisable for the special interest 4-H members to have read the information in the member piece of YOU AND THE STATE CREDIT LAWS (4-H SI 37.7M) before the discussion. You'll find the bulletin CONSUMER CREDIT AND THE LAW to be a necessary resource for yourself for the following discussion.

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1. Florida's credit laws have two main functions--
-- to set the ceilings on the amount that can be charged for using credit.
-- to control the conditions under which credit is extended.

2. Emphasize that the amount which can be charged for using credit varies according to the type of credit and the source of credit.

3. Point out that in most Florida laws rates which can be charged for credit are stated in dollars and cents and not as annual percentage rates. These laws were written before the standardization of credit terminology under the federal Consumer Credit Protection Act. So this may cause some confusion.

4. Discuss Florida's Retail Installment Sales Act. Below are a few points that need to be emphasized. It--
-- regulates retail installment contracts and revolving charge accounts and sets the maximum rates that can be charged for them.
-- requires notice to buyer statement.
-- regulates charges for late payments.
-- allows the merchant to sell your credit contract without your consent.

5. Discuss holder-in-due-course. (When you owe a debt to someone from whom you did not buy.)

6. Have some retail installment credit contracts for the youth to study. Point out the notice to buyer statement. Talk about why all the blanks should be filled in before signing the contract.

7. Discuss the Florida Consumer Finance Act. Below are some of the more important points.
-- regulates the maximum amount that can be loaned to any one individual.
-- regulates the maximum rates that can be charged by small loan companies.
-- regulates repayment terms and late fees.
-- regulates terms of repossessions.

8. Have some contracts from small loan companies for the youth to study. Have the youth compare them with retail installment credit contracts to note similarities as well as differences.

9. Discuss Florida's Motor Vehicles Sales Finance Act. Some of the more important points are listed below. It
-- regulates credit used to buy motor vehicles.
-- set maximum rates that can be charged when motor vehicles are sold on credit.
-- allows age of the motor vehicle to determine rates you can be charged.

10. Have the youth list the information put in credit contracts to protect the credit user and the creditor.

* * * * * *

DID YOU KNOW THAT . . .

... referral selling is illegal in Florida? This is when someone tries to sell you something with a promise of money for referring customers to them.

... you don't get title until all payments are made when an item is purchased on a retail installment credit contract?

... you can't sell an item you're purchasing on a retail installment sales contract until all payments are made?

... you get title immediately on all items purchased on a revolving charge account?

... when an item is repossessed, it may be sold again? If this amount doesn't cover what was still owed, you must pay the difference.

... the charge for a late payment can't be more than 5% or $5, whichever is less?

* * * * * *

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MEMBER PIECES

4-H SI 37.1 M

learning about credit

UNDERSTANDING CREDIT

Credit is one of your most powerful financial tools. Whether it'll help or harm you depends on your understanding of credit.

WHAT IS CREDIT?

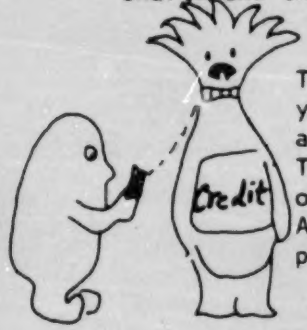
Credit is best described by the phrase "buy now and pay later". Credit lets you buy more things in the present. But, it does not increase your income. Instead, credit borrows from your future income. Thus, the amount of your income, which will be available for buying goods in the future, is reduced by the amount of credit you use in the present.

Credit costs you money in most cases. The more you pay in credit charges, the less you have to spend. This means that the total number of goods you can buy in the long run will be fewer in order that you can enjoy more things at present.

Credit is money you use but do not own. When you use credit, you are "renting" the use of someone else's money. This is a service that, in most cases, you must pay for. You don't pay a direct charge for the credit card type of credit when you pay your total bill within a certain number of days from the billing date. Usually you're given 25 to 30 days.

CREDIT PRICE TAGS

Credit costs you money. You should know how much credit costs before you use it. To find out how much credit costs, you should look at the price tags. The price tags on credit tell you how much you are paying for using credit. Credit has two price tags. They are called the finance charge and the annual percentage rate.



The finance charge tells you how much money you are paying for credit. This is a cost you pay only when you use credit. A cash customer does not pay a finance charge.

The annual percentage rate tells you the true annual rate of interest for credit. The annual percentage rate is like a yardstick. It helps you compare the cost of credit at several places.

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ADVANTAGES

There are several advantages to using credit. Below is a list of some of the advantages. See if you can think of others.

1. You don't need to carry large sums of money with you when you're shopping.

2. You can use the goods while you're paying for them.

3. Buying on credit can help you establish a good credit rating. This will help you get credit in the future when you need it.

4. You are able to buy items that you couldn't afford to purchase from current income.

5. Credit cards that can be used at several places allow you to pay for many items in one lump sum.

6. Monthly statements of itemized purchases may help you in keeping records of the money you spend.

DISADVANTAGES

There are disadvantages to using credit too. Some of the disadvantages are listed below. See if you can think of others.

1. Credit costs you money in most cases.

2. You are more likely to overbuy or buy on impulse when you don't have to pay cash immediately.

3. You may not keep track and know the amount you've charged until your bill comes. Sometimes it's a big shock!

4. Credit decreases your buying power. The amount of money you have to spend is decreased by the amount you pay for credit charges.

5. You commit your future income when you buy on credit.

6. You may tend to shop in only those stores extending you credit. You may not comparison shop. As a result, you may pay higher prices for some things.

WORDS TO KNOW

CREDIT -- money you use but do not own. Credit also means to buy now and pay later.

FINANCE CHARGE -- tells you how much you are paying for credit in dollars and cents. This is a cost you pay only when you use credit. A cash customer does not pay a finance charge.

ANNUAL PERCENTAGE RATE -- tells you the true annual rate of interest for credit in a percentage. The annual percentage rate is like a yardstick. It helps you compare the cost of credit at several places.

SUGGESTED ACTIVITY

Collect evidences of credit. Some of the things you may collect include: credit cards, various types of credit contracts, examples of credit applications, promotional materials for credit, credit advertisements, educational materials, news releases and magazine articles related to credit. You will want to make a scrapbook, collage, or bulletin board display from these items.

* * * * *

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learning about credit

THE CREDIT GRANTING SYSTEM

For the most part the credit granting system operates behind the scenes. There are many parts of it that are not understood by most people. Below is a discussion of the credit granting process. It has been divided into five parts. They include an explanation of credit applications, credit investigations, credit bureaus, credit records and credit ratings.

CREDIT APPLICATION

To get credit, you must first fill out a credit application. The information asked for is very general. Your name comes first along with your age, marital status and number of dependents. Then there are a few questions about your place and length of residence and employment. The creditor also wants to know where you have your checking and savings accounts, your other sources of credit, and perhaps the names of two or three credit references. You may be asked a few other questions, but those mentioned are the most common.

The information given on a credit application may not appear to tell too much about a person. But it does tell more than you might realize. By using the information as a guide for a credit investigation, a creditor can learn a lot about you as a credit customer.

CREDIT INVESTIGATION

A credit investigation is a study to find out what kind of credit customer you are. The most important information from your credit application is the list of your other sources of credit. Each creditor is contacted and asked several questions about your use of credit. Such information gives a creditor a very good picture of the kind of credit customer you are.

A credit investigation is more extensive than many people realize. This is because it's done without you knowing about it. Your employer may be called to verify your employment and perhaps your approximate salary. Your bank may be contacted about you as a bank customer and to verify that you have an account with them. And of course, the credit departments of the places where you already have credit are called. Often a creditor will use the services of a credit bureau for their investigations.

As you can tell, a lot can be learned from such an investigation. You no doubt can see the importance of keeping your credit accounts in good shape.

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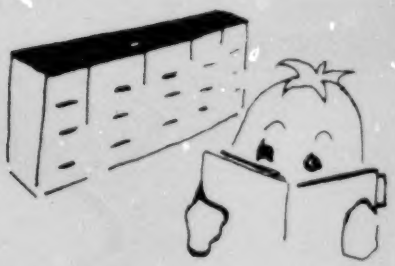
CREDIT BUREAUS

A credit bureau is a clearing house for the exchange of information by merchants on people who use credit. Credit bureaus are constantly giving and receiving information. Their two functions are:
1. to accumulate information about a person when he applies for credit and as he uses credit.
2. to verify the information a person gives the creditor on his credit application.

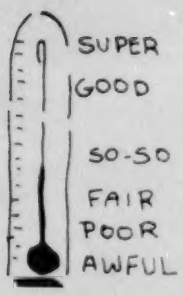
The services of a credit bureau are used by credit grantors such as merchants, small loan companies and banks. To use the services, a creditor must be a member of the credit bureau. The members must pay dues each year. They also have to pay a small amount for each credit inquiry they make.

CREDIT RECORD



Your credit record is a history of your use of credit. It's kept at your local credit bureau. The record includes all the information you have given about yourself to stores, banks, and other places where you have applied for credit. It also includes information your creditors have given to the credit bureau about you. The creditors give such information as how often you use credit, what you use credit for and the speed with which you pay your bills.

CREDIT RATING



Your credit rating is the result of an evaluation of your qualifications to receive credit. To decide if you're a good or poor credit risk, a creditor first looks at your past record of using credit. Then he studies your present financial situation such as other credit commitments, employment, etc. If you want to borrow a large amount of money, he may even try to evaluate your future. After all, that's when you'll be repaying the money.

SUMMARY

This then is a brief explanation of the credit granting system. You need to know how the system works. But this is no guarantee that you'll always be granted credit. In the end, you determine whether you'll get to use credit by the way you pay your credit obligations.

WORDS TO KNOW

CREDIT APPLICATION
CREDIT INVESTIGATION
CREDIT BUREAU
CREDIT RECORD
CREDIT RATING
DEPENDENT

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ESTABLISHING CREDIT

Establishing credit is important. There are going to be times during your life when you're going to need to use credit. If you haven't established credit, you may not be able to get it when you need it most.

Credit buying is different from paying cash. The word credit comes from the Latin verb credo meaning trust. When you use credit, you are asking the merchant to trust you. When you pay cash, trust is not necessary. Thus, to establish credit, creditors must feel they can trust you.

THE CREDITOR AND YOU

In judging you as a credit risk, a creditor will give consideration to the 3 C's -- character, capacity and capital. Character represents your willingness to pay your credit obligations. Capacity is your ability to pay your obligations from your income. Capital means owning property or things worth more than your debts.

In addition to the 3 C's, a creditor will look at the following six specific points.

EMPLOYMENT. Being employed in the same job for two years or longer is more favorable than shifting jobs often. A person with a job involving skill and/or education is thought to be a better credit risk than an individual employed as an unskilled laborer.

INCOME. The stability of your income is important since you pay for using credit in the future. A steady income that meets all normal needs is better than an income that barely covers your needs.

RESIDENCE. Owning your own home is considered better than renting. This shows that you're established in one place. But the length of time you live at one place is important whether you own or rent. Changing addresses often is not good.

FINANCIAL STRUCTURE. A favorable financial structure includes having a savings account and a checking account. It helps if you own property, investments and life insurance. Your financial structure is unfavorable when you have few, if any, assets.

DEBT RECORD. Your debt record is the most important point. The main thing is whether you're prompt or slow in paying your bills. Frequent loans for increasing amounts is an unfavorable credit sign.

PERSONAL CHARACTERISTICS. A mature family man with few dependents relative to his

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income would be rated more favorably than one with a large number of dependents.

Marital difficulties at the time you apply for credit is not good.

ESTABLISHING YOURSELF CREDIT-WISE

Until you reach the age of 18, you won't have much opportunity to establish credit on your own. But if you have a job with a steady income, you're in a good position to use credit. You may decide to use credit to purchase anything from a stereo to a motorcycle. Of course, your parents will have to sign any credit commitment with you until you're 18. Below you'll find a few ideas about how to go about the business of establishing credit. It will take time and effort.

1. A steady job is important.
2. You need to have a checking account. But be careful to never write checks for more than the amount you have in your account.
3. You should also set up a savings account. It's a good idea to add to it regularly. Even $2.00 a week adds up.
4. If you work in a business that has a credit union, join it. It offers both savings and credit facilities.
5. Gas company credit cards are easier to get than most. So this is a good place to start. After you get one, use it. Be sure to pay your bill on time. If you pay the total amount on time, you won't have to pay anything for using this type of credit.
6. The next step is to purchase an item from a local store using credit. Be sure to shop for credit at both the store and your bank. Make every payment on time.
7. Apply for a credit card at your favorite store. Don't charge more than you can repay in one month. By paying your total bill on time you won't have to pay anything extra for using this type of credit.
8. By this point you should have a good start on establishing credit. But there are a few points to remember.

POINTS TO REMEMBER

1. Always make your payments on time.
2. If for any reason a payment will be late:
** make part of the payment on time.
** explain to the creditor why the rest of the payment will be late and when to expect full payment.
** be sure to make the rest of the payment plus any late fee on the date you promised the creditor.
** never let this happen to the same creditor more than once.
3. Don't try to buy too much on credit at any one time. This won't look good on your credit record. A good rule to remember is to never have more than 20% of your take-home pay going for credit payments.

SUGGESTED ACTIVITIES

1. Practice filling out credit applications. For one use information that would make the person appear to be a good credit risk. For another use information that would indicate the person was a bad credit risk.

2. Prepare a list of questions you would ask a person to decide whether or not he is a good credit risk.

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CREDIT CONTRACTS

A credit contract is a written agreement. It gives the terms of the sale when you buy something on credit. If you're borrowing money, it gives the terms of repayment of the money. A credit contract is a legal document. As such, you are responsible for what you sign.

For some people signing their name on the dotted line is their favorite hand exercise. This can cause problems unless you know what you're signing. There are several points you should check before you sign.

BEFORE YOU SIGN . . .

1. Read and understand all the terms of the contract. If you don't understand something, ask for an explanation.

2. Never sign a contract with blank spaces -- even if the salesman says the typist has left for the day. Draw a line through all blank spaces so they can't be filled in later.

3. Know to whom you make all payments. Some merchants sell their contracts to finance companies.

4. Understand the seller's commitments for maintenance, service or replacement.

5. Make sure before you sign the contract that it contains all of the promises and agreements made by the salesman. If it doesn't, don't sign until such agreements have been added.

6. Be sure the contract tells:
-- exactly what you're buying
-- cash price
-- amount of cash down payment
-- amount allowed for trade-in
-- insurance costs, if any
-- any other costs
-- finance charge (this will be in dollars and cents)
-- annual percentage rate
-- total amount due
-- amount and number of payments
-- dates payments are due
-- what happens if you can't pay or if your payment is late
-- what happens if you want to pay ahead.

7. Be sure you get a copy of the contract to keep at the time you sign.

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WORDS TO KNOW

There are lots of words used in connection with credit contracts that you should know. They are listed below. Study them. They will help you when you read a credit contract.

ANNUAL PERCENTAGE RATE -- tells you the true annual rate of interest for credit. It's like a yardstick. It helps you compare the cost of credit at several places.

FINANCE CHARGE -- tells you how much money you are paying for credit. This is a cost you don't have to pay when you pay cash.

PRINCIPAL -- the amount of money you borrow or finance.

BALANCE -- the amount of money you owe on an account at any given time.

INSTALLMENT -- one of a series of payments to pay off a debt.

COLLATERAL -- something of value put up by the borrower to guarantee repayment of a loan. If the loan isn't paid, the lender gets the collateral. Collateral may be the title to a car, boat, or home furnishings, stocks, bonds or a life insurance policy.

DEFAULT -- failure to make a payment when due. It also means failure to meet any terms of the contract. For example, failure to insure a car as agreed in the contract is called default.

REPOSSESSION -- the seller takes back goods when the buyer fails to meet payments.

BALLOON PAYMENT -- a payment that is much larger than all the others. A balloon payment is usually the last payment.

UNSECURED LOAN -- only the borrower's signature guarantees repayment. Nothing material is used as collateral.

SECURED LOAN -- borrower gives collateral to the lender to guarantee repayment of the loan.

CO-SIGNER -- another person who signs the credit contract with you. This gives the lender two people promising repayment of the loan.

SUGGESTED ACTIVITIES

1. Get some copies of different types of credit contracts. Practice reading the contracts. Discuss the contracts in class and with your parents.

2. Shop for something you would like to have some day. Find out all the costs involved in financing it. Discuss the difference between the cash price and credit price in class.

* * * * *

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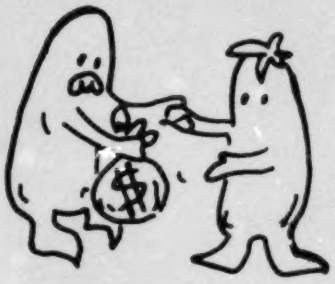
learning about credit

WHERE TO GET CREDIT

You can get credit from several different places. The sources for credit can be divided into three groups. They are: financial institutions, retail establishments, and credit granting corporations. You get cash credit from financial institutions. Retail establishments offer you sales credit. Credit granting corporations give you credit that can be used for many purposes.



FINANCIAL INSTITUTIONS

Financial institutions provide you with money. You may use the cash in a number of ways. Your sources among the financial institutions include: commercial banks, small loan companies, credit unions, savings and loan associations, life insurance companies, and industrial loan banks.

As you can see, there are several places where you can borrow money. But the secret of borrowing is to get the best deal. To do this you must go shopping for money just as you would for any other important purchase. The price tag you should look for is the annual percentage rate. This is your only reliable yardstick for comparing the cost of credit among the various lenders. The important point to remember about financial institutions is that the annual percentage rate can range from less than 9% to as much as 36%. It all depends on the financial institution.

RETAIL ESTABLISHMENTS

You can get credit from almost every retail establishment. The type of credit you get is called sales credit. You can use it to buy many kinds of goods and services. Sales credit can be used only in the store, or chain of stores, that gave you the credit. In other words, you must have a credit agreement with each store in which you want to use credit.

Stores offer two types of sales credit. Each serve a different purpose. Charge accounts allow you the convenience of charging items like clothing, household supplies, linens, kitchen utensils and other goods and services. Installment sales credit is used for purchasing large items that cost a lot. This would include such things as major appliances, furniture, carpeting, home repairs, etc.

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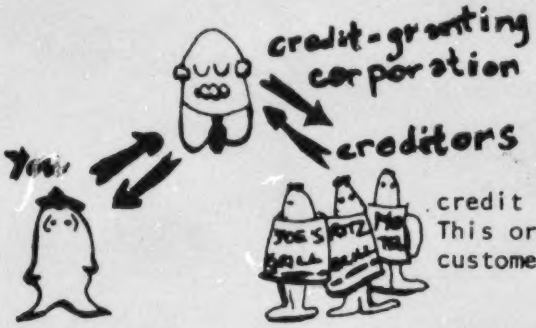
CREDIT GRANTING CORPORATIONS

Credit granting corporations give you a type of credit known as multi-purpose credit. It's similar to the charge account credit from retail establishments. You can use multi-purpose credit at not just one, but at many different types of businesses. With the same card, you can charge almost anything on earth -- from a toothbrush to an entire vacation. In fact, with the bank credit cards, you can even borrow money.

Multi-purpose credit is a convenience type of credit. This type of credit makes it possible for you not to have to carry a lot of different credit cards with you. Also, you don't have to carry a large sum of money. You can get three types of multi-purpose credit cards. They include: oil company cards, travel and entertainment cards, and bank cards.



Multi-purpose is the newest type of credit. You might think of it as being a three-way credit transaction. It involves you, the credit granting corporation and the merchants. With multi-purpose credit, the merchant does not have to send each credit customer a bill. Instead, he sends the credit sales receipts to the credit granting corporation. This organization pays the merchant and then bills the customers.

SUMMARY

Each of the sources of credit have different characteristics. They serve your different credit needs. For example, if you're going shopping for some small items for your home, you need a type of credit that offers convenience. You wouldn't go borrow money from a bank for the routine type of shopping. But if you're buying a house full of furniture, you need to visit a bank and some of the other credit sources to find the best credit terms.

Credit costs you money. The more you spend for credit, the less you'll have for other things. It's good to compare the costs and requirements for credit at each of the sources. Then you'll be sure of getting the most for your money.

SUGGESTED ACTIVITIES

1. Find out the cost of the various types of credit from the different sources. Make a chart showing the annual percentage rate according to the type and source of credit.
2. Learn about the credit plans available from various stores. Give a report about what you learned.
3. Cut out of newspapers and magazines different advertisements related to credit offers. Make a bulletin board display. Write your thoughts about the good and bad points of each.
4. Make up one ad that includes everything you believe necessary to tell the complete story when offering credit.

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YOU AND THE FEDERAL CREDIT LAWS

... What should you look for when you're comparing credit costs from different places?
... What can you do to protect your credit rating if you have a disagreement with a merchant?
... How can you learn about what's on your credit record?

The answers to these questions are found in our Federal credit laws. There are two Federal laws that are important to the credit shopper. One is called the Consumer Credit Protection Act. The other is the Fair Credit Reporting Act.

Federal laws do not limit the amount you pay for credit. Neither do they control the conditions of credit. State laws do this. The purpose of Federal laws is to make sure you get complete and correct information. Federal laws want you to know the cost and conditions of credit before you "sign on the dotted line." The Federal laws also make it easier for you to shop for credit and get the best credit deal.

CONSUMER CREDIT PROTECTION ACT

This law is also called Truth-in-Lending. It went into effect on July 1, 1969. This is the law that makes it easier for you to shop for credit. It makes all creditors use the same terms when stating the cost of credit. The terms are the finance charge and the annual percentage rate. More will be said about them later.

There are three parts to the Consumer Credit Protection Act which you need to know about. They will be discussed under the headings of disclosure, rescission (cancellation), and advertising. We'll also discuss an amendment to this law.

Disclosure

This is the most important part of the law. Disclosure means that the creditors must give you certain information on a credit contract. The disclosure part of the law makes three important requirements.

* First, all conditions and terms of the contract must be stated clearly. For example, there might be a balloon payment. If so, you must be told. You must be told about all penalties and any charges. If there is a mortgage or a lien on anything you own, you must be told.

* Next, the creditor must tell you about all the credit charges. He must list each of the charges and the costs. You must be told the total of these charges. This must be stated as dollars and cents. This is called the finance charge. Remember, the finance charge is

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the extra money which you pay for using credit. You would not have to pay these charges if you paid cash.

* The third part of the disclosure requires the finance charge to be stated as an annual percentage rate. The annual percentage rate is the most important part of this law. It tells you the true annual rate you're paying for credit. The annual percentage rate is the price tag on credit. It is the one reliable yardstick for comparing the costs of credit from various creditors.

Rescission

* This part of the law involves the 3-day rescission (cancellation) rule. It applies to any consumer credit contract that involves a mortgage on your home. This rule allows you three working days to back out of a contract. The creditor must give you his address so you can write him and cancel. You cannot be charged anything for changing your mind. This is to help those who are pressured into signing a contract.

Advertising

* The third part of the law involves advertising. Advertisements must tell the whole story -- not just part of it. If any specific credit terms are advertised, the creditor must also advertise the whole package. No longer can a creditor say, "This terrific dishwasher can be yours for just $4.89 a week!" He must include the cash price, number of weeks of payments, finance charge, and other things. When advertising rates, the annual percentage rate must be used. If a creditor advertises specific credit terms, he must make them available to all who apply if their credit rating justifies it.

Amendment

* An amendment to this law has set a limit on what you can be charged for lost or stolen credit cards. You don't have to pay more than $50 of the charges made on any one card. If you tell the company before anyone has used your card, you don't have to pay anything.

FAIR CREDIT REPORTING ACT

This is the second of the two Federal credit laws. This law is designed to protect your credit rating. It requires that only correct and up-to-date information be kept in your file at the credit bureau.

This law protects you if you're denied credit. If you don't get credit because of information in your file, you must be notified. You then have 60 days in which to go to the credit bureau. They are required by law to tell you what information is in your credit record. This doesn't cost you anything. If the information is wrong, the credit bureau will look into your situation and make corrections.

Sometimes people don't pay a bill for a good reason. This happens when work isn't completed or a product falls apart. In the case of a disagreement, you can write your side of the dispute. It must be in 100 words or less. Your statement is then put in your file along with the other credit information. Your side of the story is then sent to anyone requesting credit information about you.

SUGGESTED ACTIVITIES

1. Find a newspaper ad that tells about credit. Underline all the credit information in the ad.

2. Look at a credit contract. List all the terms of the contract.

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learning about credit

YOU AND THE STATE CREDIT LAWS

... If your charge account comes due on the first of the month, what happens if you're more than 10 days late in paying it?
... A loan company can charge a late fee only once on a past due payment. If the maximum interest is charged, can a late fee also be charged?
... How much can you be charged for interest on an installment credit contract?

The answer to each of these questions is found in the Florida credit laws. There are several state laws which regulate the extension and use of credit. These laws are intended to protect you. They're also designed to protect the creditor's investment. One main thing state laws do is set the ceilings on credit charges. They also control the conditions under which credit is extended.

FLORIDA RETAIL INSTALLMENT SALES ACT

This law regulates revolving charge accounts. It also regulates most installment credit excluding motor vehicles. All installment contracts are required to carry the following warning in big print.

> NOTICE TO THE BUYER
> Do not sign this before you read it or if it contains blank spaces. You are entitled to an extra copy of the paper you sign.

This law also covers what can happen if a payment is late. A payment is considered late if it is paid more than 10 days after the day it is due. A charge can be made for a late payment. This charge can't be more than 5% of the payment due or $5.00. You are to be charged whichever is less.

Rates charged for installment contracts can't be over $10 per year on each $100 of credit. For example, let's say you borrowed $500. The most you could be charged for one year would be $50. If you borrowed the $500 for two years, you would be charged $100 for the use of the money. In other words, you would have to repay $600.

Revolving charge accounts are sometimes called credit card accounts. This law requires that a bill for such accounts be sent each month. This bill must list all the charges, payments made, the unpaid balance at the beginning and at the end of the month. Finance charges cannot be more than 15¢ per $10 of the unpaid balance. This is the same as an annual percentage rate of 18%. If a finance charge is less than a dollar, the dollar can be charged.

FLORIDA CONSUMER FINANCE ACT

Loan companies are regulated by the Florida Consumer Finance Act. The most a loan company can lend to one person or family is $2,500. The borrower must pay 30% interest on the first $300 of his loan. On the next $300 the interest rate is 24%. On all principle over $600 the interest is 16%. Loans of $600 or less must be repaid within 24 months. Larger loans must be repaid within 36 months. (Notice this law lists interest in terms of annual percentage rate)

When two or more purchases are put on the same credit contract, payments are first credited to the least expensive purchase until it is paid in full. If items are bought at different times, all payments are applied toward the first purchase until paid in full. Then payments are applied toward the second purchase. If the balance owed is less than $2,000 and the purchase is repossessed, the debt is marked paid. This is not the case with most other forms of credit.

MOTOR VEHICLE SALES FINANCE ACT

This law regulates credit used to buy motor vehicles. Motor vehicles are cars, trucks and motorcycles. The rates which you can be charged are set by the age of the motor vehicle. The older the vehicle, the higher the credit rates.

For a new car, you can't be charged more than $8 per $100 of credit. This is for each year you have the loan. The annual percentage rate is about 16%.

Let's suppose you borrow $2,000 for a new car. You plan to pay for the car in one year. What will you pay for the credit? To help you get your answer read and do the following. Use a separate piece of paper for your figures.

First you must know how many hundreds are in 2000. So divide 2000 by 100.
Answer_____

Then you must multiply your answer by $8. This will give you the cost of credit on $2,000 for one year.
Answer_____

Suppose you took two years to pay for the car. What would the credit cost?
Answer_____

If a car is more than four years old, the credit ceiling is $17 for each $100 of credit. That's an annual percentage rate of about 34%.

Suppose you borrowed $1,000 for one year to buy a 4-year old car. How much interest could you be charged?
Answer_____

If you don't pay for your car, it can be repossessed. This means it can be taken away from you by the creditor. The car could be worth less than you owe on it. In some cases, you might have to pay this difference.

SUGGESTED ACTIVITIES

1. Look at an installment credit contract. Find the warning statement. Talk about why you think all the blanks should be filled in before signing the contract.
2. Look at several credit cards. What kind of information do you find? Is the information the same on all credit cards?
3. Talk about why it's a good idea to pay a bill on time.
4. Look at some credit contracts. What information is put on them to protect you? What information protects the creditor?

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